

**REPORT OF THE AUDIT OF THE  
TRIMBLE COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2014**



**ADAM H. EDELEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE TRIMBLE COUNTY SHERIFF**

**For The Year Ended  
December 31, 2014**

The Auditor of Public Accounts has completed the Trimble County Sheriff's audit for the year ended December 31, 2014. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the receipts, disbursements, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees decreased by \$2,133 from the prior year, resulting in excess fees of \$13,775 as of December 31, 2014. Receipts decreased by \$105,641 from the prior year and disbursements decreased by \$103,508.

#### **Lease Agreement:**

The Sheriff had the following lease agreement as of December 31, 2014:

Item	Quarterly	Term of	Ending	Principal
Purchased	Payment	Agreement	Date	Balance as of
				12/31/14
F150 Truck	\$ 1,828	16 quarters	3/31/18	\$ 23,758

#### **Report Comments:**

2014-001 The Sheriff's Office Had \$252 In Disallowed Disbursements  
2014-002 The Sheriff's Office Lacked Internal Controls Over Receipts  
2014-003 The Sheriff's Office Did Not Present An Annual Settlement To Fiscal Court  
2014-004 The Sheriff's Office Lacked Segregation Of Duties Over Receipts, Disbursements, And Reconciliations

#### **Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



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**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Jerry Powell, Trimble County Judge/Executive  
The Honorable Tim Coons, Trimble County Sheriff  
Members of the Trimble County Fiscal Court

Independent Auditor's Report

**Report on the Financial Statement**

We have audited the accompanying statement of receipts, disbursements, and excess fees - regulatory basis of the County Sheriff of Trimble County, Kentucky, for the year ended December 31, 2014, and the related notes to the financial statement.

**Management's Responsibility for the Financial Statement**

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting as described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



The Honorable Jerry Powell, Trimble County Judge/Executive  
The Honorable Tim Coons, Trimble County Sheriff  
Members of the Trimble County Fiscal Court

### **Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles**

As described in Note 1 of the financial statement, the financial statement is prepared by the County Sheriff on the basis of the accounting practices prescribed or permitted by the laws of Kentucky to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the County Sheriff, as of December 31, 2014, or changes in financial position or cash flows thereof for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2014, in accordance with the basis of accounting practices prescribed or permitted by the Commonwealth of Kentucky as described in Note 1.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 01, 2015 on our consideration of the Trimble County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trimble County Sheriff's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control over financial reporting and compliance.



The Honorable Jerry Powell, Trimble County Judge/Executive  
The Honorable Tim Coons, Trimble County Sheriff  
Members of the Trimble County Fiscal Court

**Other Reporting Required by Government Auditing Standards (Continued)**

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2014-001 The Sheriff's Office Had \$252 In Disallowed Disbursements
- 2014-002 The Sheriff's Office Lacked Internal Controls Over Receipts
- 2014-003 The Sheriff's Office Did Not Present An Annual Settlement To Fiscal Court
- 2014-004 The Sheriff's Office Lacked Segregation Of Duties Over Receipts, Disbursements, And Reconciliations

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Adam H. Edelen', with a stylized flourish at the end.

Adam H. Edelen  
Auditor of Public Accounts

October 01, 2015

TRIMBLE COUNTY  
TIM COONS, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2014

Receipts

State Fees For Services:

Finance and Administration Cabinet	\$ 27,890	
Sheriff Security Service	<u>3,076</u>	\$ 30,966

Circuit Court Clerk:

Fines and Fees Collected		543
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Fiscal Court		15,000
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County Clerk - Delinquent Taxes		15,258
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Board of Education - School Resource Officer Salary Support		45,000
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Commission On Taxes Collected		180,805
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Fees Collected For Services:

Auto Inspections	685	
Serving Papers	13,246	
Copies	309	
Bond	679	
Carrying Concealed Deadly Weapon Permits	<u>3,160</u>	18,079

Other:

Telecommunication Tax	888	
Add-On Fees	15,249	
Miscellaneous	<u>1,822</u>	17,959

Interest Earned		<u>101</u>
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Total Receipts		323,711
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Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-		
Deputies' Salaries	129,140	
Contracted Services-		
Advertising	182	
Materials and Supplies-		
Office Materials and Supplies	\$ 12,014	
Uniforms	<u>8,605</u>	20,619

The accompanying notes are an integral part of this financial statement.

TRIMBLE COUNTY  
TIM COONS, SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES - REGULATORY BASIS  
For The Year Ended December 31, 2014  
(Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Auto Expense-		
Gasoline	\$ 26,245	
Maintenance and Repairs	<u>11,568</u>	\$ 37,813
Other Charges-		
Conventions and Travel	330	
Dues	1,299	
Jury Trial	185	
Postage	2,757	
Prisoner Transport	5,236	
Cell Phones	6,988	
Computer	6,872	
Radio Service	7,594	
Utility	240	
Tax Settlement	1,300	
Bridge Detail - State Treasurer	340	
Miscellaneous	<u>3,636</u>	36,777
Capital Outlay-		
Vehicle Lease		<u>5,483</u>
Total Disbursements		<u>\$ 230,014</u>
Less: Disallowed Disbursements		
No Supporting Documentation and Unnecessary		<u>252</u>
Total Allowable Disbursements		<u>229,762</u>
Net Receipts		93,949
Less: Statutory Maximum		<u>76,264</u>
Excess Fees		17,685
Less: Training Incentive		<u>3,910</u>
Excess Fees Due County for 2014		13,775
Payment to Fiscal Court - December 30, 2014		<u>13,363</u>
Balance Due Fiscal Court at Completion of Audit		<u>\$ 412</u>

The accompanying notes are an integral part of this financial statement.

TRIMBLE COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2014

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.192 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework. Under this regulatory basis of accounting receipts and disbursements are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2014 services
- Reimbursements for 2014 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2014

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

TRIMBLE COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2014  
 (Continued)

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent for the first six months and 17.67 percent for the last six months.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.70 percent for the first six months and 34.31 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

<b>Years of Service</b>	<b>% paid by Insurance Fund</b>	<b>% Paid by Member through Payroll Deduction</b>
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

TRIMBLE COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2014  
(Continued)

Note 2. Employee Retirement System (Continued)

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The Trimble County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Trimble County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

TRIMBLE COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2014  
(Continued)

Note 4. Lease Agreement

The Sheriff's office was committed to the following lease agreement as of December 31, 2014:

<u>Item</u>	<u>Quarterly</u>	<u>Term of</u>	<u>Ending</u>	<u>Principal</u>
<u>Purchased</u>	<u>Payment</u>	<u>Agreement</u>	<u>Date</u>	<u>Balance as of</u>
				<u>12/31/14</u>
F150 Truck	\$ 1,828	16 quarters	3/31/18	\$ 23,758

Note 5. Asset Forfeiture Account

The Sheriff has an asset forfeiture account to be used for law enforcement purposes. The beginning balance in this account was \$418 as of January 1, 2014. There were no receipts or disbursements in this account during 2014, resulting in an ending balance of \$418 as of December 31, 2014.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**ADAM H. EDELEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Jerry Powell, Trimble County Judge/Executive  
The Honorable Tim Coons, Trimble County Sheriff  
Members of the Trimble County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

**Independent Auditor's Report**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the statement of receipts, disbursements, and excess fees - regulatory basis of the Trimble County Sheriff for the year ended December 31, 2014, and the related notes to the financial statement and have issued our report thereon dated October 01, 2015. The Sheriff's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the Trimble County Sheriff's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Trimble County Sheriff's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trimble County Sheriff's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2014-002 and 2014-004 to be material weaknesses.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

**Internal Control Over Financial Reporting (Continued)**

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying comments and recommendations as items 2014-001 and 2014-003 to be significant deficiencies.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the Trimble County Sheriff's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2014-001, 2014-002, and 2014-003.

**Sheriff's Responses to Findings**

The Trimble County Sheriff's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The Sheriff's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen  
Auditor of Public Accounts

October 01, 2015

## COMMENTS AND RECOMMENDATIONS



TRIMBLE COUNTY  
TIM COONS, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2014

FINANCIAL STATEMENT FINDINGS:

2014-001 The Sheriff's Office Had \$252 In Disallowed Disbursements

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During testing of credit card expenditures we noted \$252 in disallowed disbursements, which included:

- \$217 for no supporting documentation.
- \$35 for coffee machine.

The Sheriff did not ensure all credit card disbursements were supported by receipts before payment of the bill, totaling \$217. The Sheriff was unaware he should not purchase a coffee machine with fee account funds. When disbursements are not evidenced by supporting documentation it cannot be determined if the funds are being appropriately used, resulting in disallowed disbursements.

All disbursements of the Sheriff's fee account should be necessary for the operation of the Sheriff's office, should not be personal in nature, and should be adequately documented. Good internal controls dictate that the Sheriff should monitor disbursements to ensure compliance with state laws and regulations. In Funk v. Milliken, 317 S.W.2d 499 (KY 1958), Kentucky's highest court reaffirmed the rule that county fee officials' expenditure of public funds will be allowable only if they are necessary, adequately documented, reasonable in amount, beneficial to the public, and not personal expenses.

We recommend the Sheriff no longer purchase food and drink items for deputies using fee account funds. We also recommend the Sheriff repay \$252 with personal funds to the 2014 fee account. The Sheriff's repayment will result in an additional \$252 in excess fees due to Fiscal Court for 2014.

*Sheriff's Response: In regards to the exit audit conversation on 10/01/2015 we have reviewed once again the items listed in the report and will take the necessary steps to comply. I acknowledge the amount of \$252 to repay the county for allowable expenses we did not have receipts for. It is very important to me and this office to be in total compliance with the auditor's office.*

TRIMBLE COUNTY  
TIM COONS, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2014  
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2014-002 The Sheriff's Office Lacked Internal Controls Over Receipts

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The following internal control problems over receipts were noted:

- a receipt ticket is not issued for every amount collected,
- receipt tickets that are completed do not indicate cash or check received,
- receipts are not batched daily and reported on a daily collection form,
- deposits are not made daily, and

The Sheriff's office has weak internal controls over receipts due to a low priority to have effective controls in place over fee account receipts. The lack of effective internal control over receipts increases the risk of accurate financial reporting or misappropriation of assets. Good internal controls dictate that each amount received should have a supporting receipt ticket, indicating cash or check received, then be batched to a daily checkout sheet, and deposited daily.

KRS 64.840 states a receipt ticket to be issued for each receipt collected. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. This uniform system of accounts, as outlined in the County Budget Preparation and State Local Finance Officer Policy Manual, requires daily deposits intact into a federally insured banking institution.

We recommend the Sheriff implement the following controls over receipts, including:

- issuing a receipt ticket for all funds received,
- ensuring that receipts indicate cash or check as the form of payment,
- batching receipt tickets daily and recording them on a daily collection form, and
- making deposits daily,

*Sheriff's Response: See response to comment 2014-001.*



TRIMBLE COUNTY  
TIM COONS, SHERIFF  
COMMENTS AND RECOMMENDATIONS  
For The Year Ended December 31, 2014  
(Continued)

FINANCIAL STATEMENT FINDINGS (Continued):

2014-003 The Sheriff's Office Did Not Present An Annual Settlement To Fiscal Court

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The Sheriff did not present an annual settlement to fiscal court. The bookkeeper informed the auditor she gave the excess fees check to an employee in the Judge/Executive's office but was unaware of the requirement to prepare and present an annual settlement to fiscal court. When an annual settlement is not prepared and presented to fiscal court, the fiscal court has no knowledge of how the Sheriff's office is operating, i.e., how funds are being used and what types and amounts of revenue are available to support the operations. This is an issue of noncompliance with KRS 134.192, which requires fee officials to prepare and present a settlement of their accounts to fiscal court on an annual basis. Good internal controls dictate that an annual financial statement should be prepared and presented to an entity's oversight committee for review and approval. We recommend the Sheriff prepare and present an annual settlement to fiscal court in the future, with fiscal court's approval documented in the minutes.

*Sheriff's Response: See response to comment 2014-001.*

2014-004 The Sheriff's Office Lacked Segregation Of Duties Over Receipts, Disbursements, And Reconciliations

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The Sheriff's office has a lack of segregation of duties over receipts, disbursements, and bank reconciliations due to one employee being assigned to collect receipts, prepare deposits, take deposits to the bank, prepare checks, sign checks, record receipts and disbursements in the ledgers, and prepare the bank reconciliations. Lack of segregation of duties increases the risk of misstatements in reporting due to error or fraud. Good internal controls dictate that adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions and mitigate the risk of misstatements in reporting due to error or fraud. To adequately protect employees in the normal course of performing their assigned functions and to protect the Sheriff's office against inaccurate financial reporting, we recommend the Sheriff separate the duties in preparing and depositing receipts, preparing and signing checks, recording transactions, and performing the bank reconciliations. If these duties cannot be segregated, strong oversight should be provided over the employee responsible. The employee providing oversight should document oversight procedures by initialing source documents.

*Sheriff's Response: See response to comment 2014-001.*

